POINTS OF DISCUSSION

Presented by Larry LeJeune on behalf of Commissioner Bob Odom
Commissioner of Agriculture and Forestry
State of Louisiana
Presented at the
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Rural Business Cooperative Service,
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On behalf of the farmers of the State of Louisiana and the entire agricultural infrastructure of Rural America, I appreciate the opportunity to be able to address this group. Our purpose today is to discuss some of the merits we feel should be considered in implementing a loan guarantee, direct loan, and grant program to finance renewable energy systems and make energy efficiency improvements. The considerations by USDA for determining eligibility for economic assistance through these programs should be balanced by measures which demonstrate evaluation of the following points:

1. **Minimal Transportation: Favorable consideration should be given to local fuel stocks that have minimal transportation requirements in relation to the energy generation facility. This is extremely important in bio-mass renewable fuel stocks since the high mass to energy ratio of most bio-mass fuel stocks results in high transportation costs which must be expensed by either the facility or the farmers producing the fuel stock.**

2. **Fossil Fuel Utilization: There should be minimal to zero (less than 25% annual average) consumption of fossil fuels. Fossil fuel utilization should only be allowed for startup, production optimization, emission controls, and maintaining output reliability in those facilities classified as renewable energy systems.**

3. **Maximization of Funding: When grants are utilized for design adaptation and feasibility, it enables the stimulation of community and private financing which acts as an extender of USDA funds. By providing financial confidence in the process, funding from sources other than USDA become available.**

4. **Multiple Production of Renewable Fuels and Electrical Entergy: Production of and on site utilization of renewable fuels, and electrical energy rather than utilizing fossil fuel for operation should be rewarded. This concept**

demonstrates the optimum energy savings by being self sufficient while generating electrical energy for export in addition to the production of a renewal fuel product such as ethanol.

5. **<u>Environmental Benefits</u>: Facilities, which employ the most feasible environmental control measures on site, should receive additional consideration. Extra points of consideration should also be awarded when there are additional environmental benefits to upstream suppliers of renewable fuel stocks. An example would be the elimination of residue burning in those fields producing fuel stocks as a result of those field residues being utilized by the facility for energy generation. This reduces area air emissions since the facility has incorporated air emission control equipment and field residues are no longer burned in the area fields.**

6. **<u>Environmental Based Grants</u>: Facilities should be eligible for special funding assistance though grants specifically targeted to additional equipment investment that is targeted to enhance environmental controls and provide a reduction in facility emissions. The investment required for optimizing environmental emissions in a renewable energy facility can escalate beyond economically feasible budget limitations. Extra financial assistance for investment in the environmental equipment area not only strengthens the economic feasibility of the facility but also benefits the community by having cleaner air.**

7. **<u>Geographic and Commodity Dispersal</u>: Developing new geographic areas and utilization of new commodities into the production of renewable energy balances the program for all of America. The benefits of USDA support should be spread across the geographic areas of the US and specifically focused to the utilization of as many of the commodities produced in each area as possible.**

8. **<u>Commodity Return Value</u>: The value of return to the commodities utilized should be sufficient to support the production of the feedstock utilized commensurate to existing markets. Waste product utilization produces little economic value, if any, to the farmer and does not generate an economic resource return to the community; therefore, primary commodity utilization should carry a greater consideration than waste product utilization.**

9. **<u>Quantity of Energy Generated</u>: The amount of energy generated should be compatible to the energy distribution and utilization capacity in the geographic area of production. The renewable energy proposed must also be able to demonstrate its ability as a reliable supplier of energy.**

10. **<u>Loan Guarantees</u>: A fully functional facility loan guarantee program is needed by USDA to support the developing production of renewable fuels and energy generation until a creditable futures and exchange market for**

ethanol can be established to provide improved economic predictability in a developing renewal fuel commodity market and possibly a renewable electrical energy market. A renewable electrical energy market would capture the advantages that may develop as a result of a renewable energy policy supported by tax incentives.

11. **<u>Rural Economic Re-Development</u>: USDA should focus on economically depressed commodity production areas. Many areas of Rural America are in desperate need of economic enhancement of depressed commodity prices. By USDA placing economic support into existing agricultural infrastructures, it salvages the rural community with a very low cost to benefit ratio since the existing agricultural structure benefits and regains viability. The current Food Security and Rural Investment Act's commodity production programs would gain support from properly targeted renewable energy support which focuses on geographic areas where commodity producers are experiencing depression style economic failures even while they are obtaining favorable yields.**

12. **<u>Commodity Efficiency Combinations</u>: Special credits should be available to renewable energy systems that combine commodities for synergistic benefits. Renewal fuels production, when partnershiped with renewable electrical energy generation, provides for greater economic recovery from all the renewable commodities utilized and a facility that is fully energy self-sufficient.**

These points have been rapidly mentioned in the time allowed; however, they are extremely important in rebuilding the agricultural infrastructure in the United States. By capturing the economic growth that can be realized through taping into the developing renewal energy industry, agriculture can recover from extremely depressing economic conditions. Our office has been intensely involved in the feasibility studies for a multi-commodity facility that would produce a renewable fuel in the form of ethanol while being fully energy self-sufficient with an electrical energy export from renewable farm commodities. This involvement in an ethanol distillery and biomass-fueled power plant has brought the fore-mentioned points into our focus and hope that we can share this focus with you.